

# CONSUMER FACT SHEET

## Regulatory and Negotiated Fees and Taxes

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**My monthly bill shows charges for various fees. What are these?** There are two types of fees that cable operators may be required to pay, although both of these fees are typically referred to as franchise fees. The first type of fee is a regulatory fee, and the second type of fee is a negotiated fee. Cable operators are allowed to be reimbursed for both types of fees by recovering the costs from subscribers.

### Regulatory Fees:

**License Fee:** Under Massachusetts law, cable operators are required to pay \$1.30 per subscriber each year to offset the cost of regulation. This \$1.30 is divided between the municipality and the Commonwealth with the municipality receiving 50 cents per subscriber and the Commonwealth receiving 80 cents per subscriber. Cable operators will typically include the term “franchise fee” on the bill when referencing this fee.

**FCC Fee:** The Federal Communications Commission requires payment from the cable operator on an annual basis to offset the cost of federal regulation. Depending on your cable operator, this fee may be called an “FCC Fee,” “FCC Mandated Fee,” or “Regulatory Fee.”

### Negotiated Fees:

**Franchise Fees:** Under federal law, non-capital costs relating to license requirements are considered franchise fees and may be passed on to subscribers. For example, local officials, in negotiating the cable license, may require cable operators to set aside channels for public, educational, and governmental (“PEG”) use. The monies spent to maintain the access studio, equipment, and personnel are considered franchise fees and may be passed on to subscribers. A municipality may request up to 5% of the cable operator’s annual gross revenue from operating in the municipality less the required License Fee. These fees appear on monthly bills as “Franchise Fees” or “Access Fees.”

**Franchise Related Costs:** Any capital costs or operating expenses incurred directly by the cable operator as a result of franchise requirements, such as purchasing access equipment or operating the facilities for required PEG channels, may be recovered from subscribers.

For example, capital costs relating to the construction of a PEG access studio or the purchase of PEG equipment are considered franchise-related costs. These expenses are treated as external costs and are included in the basic service tier rate calculation. Cable operators may then, at their discretion, either recover the costs in the basic service tier rate or as a separate fee on subscribers' bills.

**Is the cable operator allowed to charge sales tax?** Yes. Cable operators may charge subscribers a 5% Massachusetts sales tax for the lease of remote controls. The tax must be itemized separately on your bill.

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Updated: July 10, 2003